

# Management Councils Emerge as Valuable Asset in the Program Manager's Tool Kit

## DCMC-Led IPTS Are Thriving Under the Management Council Concept

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"Civil-military integration ... is critical to meeting our future military, economic, and policy objectives. ... My objective is for the Single Process Initiative (SPI) to achieve [this] integration," wrote Under Secretary of Defense (Acquisition and Technology) Dr. Jacques Gansler in a June 3, 1998 memorandum. "Several defense contractors recently have initiated corporate management councils designed to expedite reform and facilitate best practices across the entire corporation. I encourage the expansion of this concept."

As more defense contractors participate in management councils, it's essential that program managers understand and use these councils as tools to implement acquisition reform and to reduce costs of their programs.

### DCMC-Led IPTs

Management councils are Defense Contract Management Command (DCMC)-led Integrated Process Teams (IPT) consisting of representatives from the contractor, Defense Contract Audit Agency (DCAA), and the military services that serve as a forum for program managers to effectively voice and resolve their concerns. As such, management councils are an important management and acquisition reform tool, integral to the success

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At BOEING MESA WHERE THE APACHE LONGBOW IS PRODUCED, THE MANAGEMENT COUNCIL SWITCHED FROM MILITARY STANDARD 1528A TO THE USE OF BOEING-PRODUCED TOOLS RESULTING IN A REDUCTION IN REWORK, SCRAP, MANUFACTURING VARIANCES, AND COST.



of DCMC's ongoing efforts to implement SPI throughout its contracting practices and processes. In fact, management councils can, and should be used to resolve issues that reach beyond SPI.

The value of a management council as a cost-saving tool for the program manager is far reaching — encompassing all

military services and DoD agencies. Ultimately, program managers who participate in management councils benefit not only their particular program, but also the entire Department of Defense.

### A Team Effort

While DCMC may lead the management council, every organization affected by

the decisions made through the council is a partner in the process. In other words, DCAA, the contractor, and the military services all actively participate on the management council. For a program manager, representation on the management council is especially beneficial because the decisions made through the council can directly impact the cost, schedule, and performance for which the program manager is responsible.

### Integral to SPI Success

To date, most management councils are identifying and implementing improvements wrought under acquisition reform and all it embodies, particularly the SPI. The importance of helping industry convert from military-unique processes to commercial processes cannot be overstated. By combining commercial and military industries, industry can reduce the cost of defense products, passing the savings on to DoD. Moreover, industry is "incentivized" to use newer, more efficient technologies, and DoD gains increased flexibility in meeting warfighter needs.

In many situations, DoD and industry gain welcome relief from multiple military specifications and standards once they transition to SPI and commercial specifications and standards. In a few cases, the management council has settled on a company specification, which is often rooted in a commercial standard. The advantage of such an approach emerges when a change to the company specification is required. Under SPI, such a change may be undertaken without a block change. Essentially, this gives the company the same flexibility as if provided with a performance standard.

For example, at Boeing Mesa where the Apache Longbow is produced, the management council switched from Military Standard 1528a to the use of Boeing-produced tools resulting in a reduction in rework, scrap, manufacturing variances, and cost. The result was \$18 million in cost savings and \$40 million in cost avoidance in future contracts for the Longbow aircraft. Boeing Mesa's management council also used SPI to reduce



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the number and types of wires required for the aircraft-wire harness. This SPI alone resulted in a \$5-million-per-year cost avoidance and a reduction in aircraft weight of 70 pounds.

Not content to stop there, the Boeing Mesa Management Council continued searching for cost savings and found opportunities beyond SPI. Using the effective teaming approach developed on the council, Boeing Mesa successfully

implemented DCAA's cost-saving parametric-pricing technique. This method of cost estimating analyzes costs over time, helps move the government from a cost-based system to a price-based system, and reduces overhead costs associated with proposal preparation and cost and pricing data for both the contractor and the government. Once again, with management council involvement, it's a win-win situation for everyone involved.

### Use beyond SPI

Just as with the management council at Boeing Mesa, other government/contractor teams are successfully elevating management councils to new heights. While continuing to mine the single-process arena, they are using the management council as a forum to share information, to improve contractor processes, and to provide overall performance feedback to the contractor.

Herein lies the greatest potential of the concept. If a contractor has a system that requires improvement, the management council is a perfect forum to voice customer concerns, allow the contractor to announce plans for improvement, and monitor implementation of corrective actions. Thus, a program manager who finds contractor performance in a particular area to be less than adequate can leverage his or her concern with that of other customers.

Potential topics for the management council might include earned value management systems, integrated digital environment, configuration management, property management, value engineering, integrated logistics support, software development, and a variety of other initiatives that can positively impact the program manager's program.

### Customer Forum

Finally, and most importantly, the management council is a highly effective forum to provide customer feedback to the contractor and to DCMC. World-class organizations are extremely interested in customer priorities. The program manager's voice is clearly heard when a management council is in place.